

# CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES



**CBLD**  
cooperative board  
leadership development



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

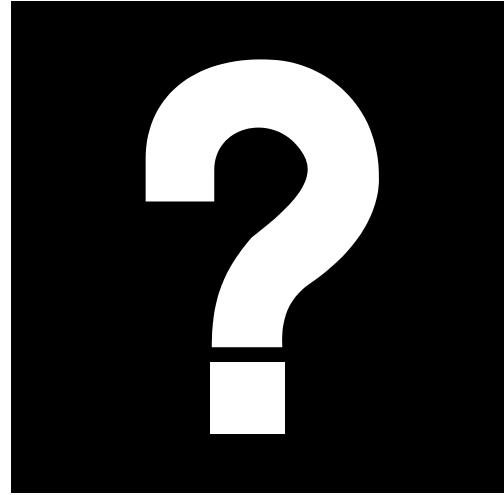
# Today's outline

- ❶ Introduction
- ❷ The Theory: Is Cooperative Governance unique? (Art)
  - Reflection and Neighbor talk
- ❸ The Translation to Practice: Four Pillars of Cooperative Governance (Marilyn)
  - Reflection and Neighbor talk
- ❹ Diving in: Participation – Own, Use, Serve (Mark)
  - Reflection and Neighbor talk
- ❺ Questions and Discussion
- ❻ Wrap up

# Cooperative Governance

The Theoretical Underpinnings  
Comparing the Expectations of  
Cooperatives vs. Corporations:  
A Focus on the Boards of Directors

It began with a...



Should there be  
a governance system/model  
specifically designed for co-ops?

What would that look like?

*Hmmm...how to answer?*



# To the Workshop...

## Founders—The Ostroms

---



Elinor Ostrom

(1933–2012)



Vincent Ostrom

(1919–2012)

*If the expectations are different, then the governance models should be different to match*

Visiting Scholar in 2013

Bringing Co-op Research into the Workshop Thinking

Research Question:

Are there differing **expectations** of boards of directors?

If so, what are they?

Cooperatives vs.

Corporations

# What is Governance?

## *Ostrom Workshop definition...*

- The process by which the repertoire of rules, norms, and strategies that guide behavior within a given realm of policy interactions are formed, applied, interpreted and reformed.
  - McGinnis, 2012: 6
- Multiple levels in an institution: Here we are focused on the board and their role in this process as it relates to expected behaviors

# Boards of Directors

Boards are Agents  
of the owners...

They are also Principals  
as they delegate power...

This brings in

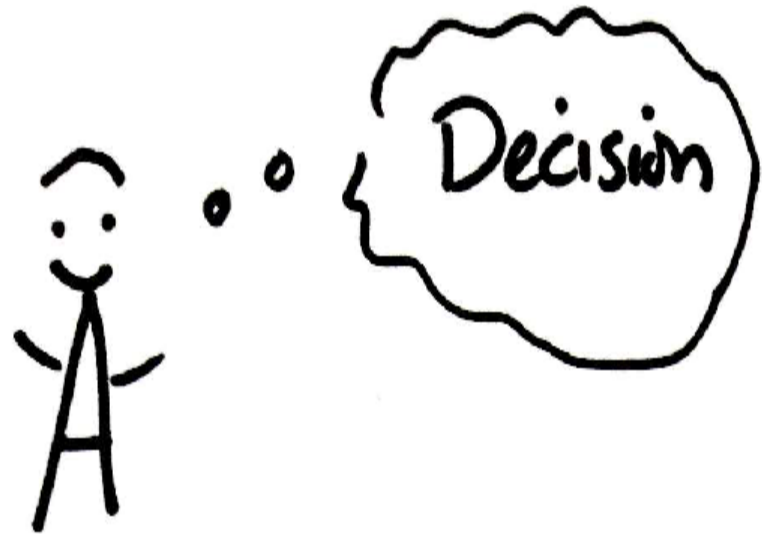
# Agency Theory



Agents Make  
Decisions for  
other people...

Principal

Agent





Agents Make  
Decisions for  
other people...

Agency theory  
asks...will the decision  
be in the best interest  
of those granting the  
agency (principal)?

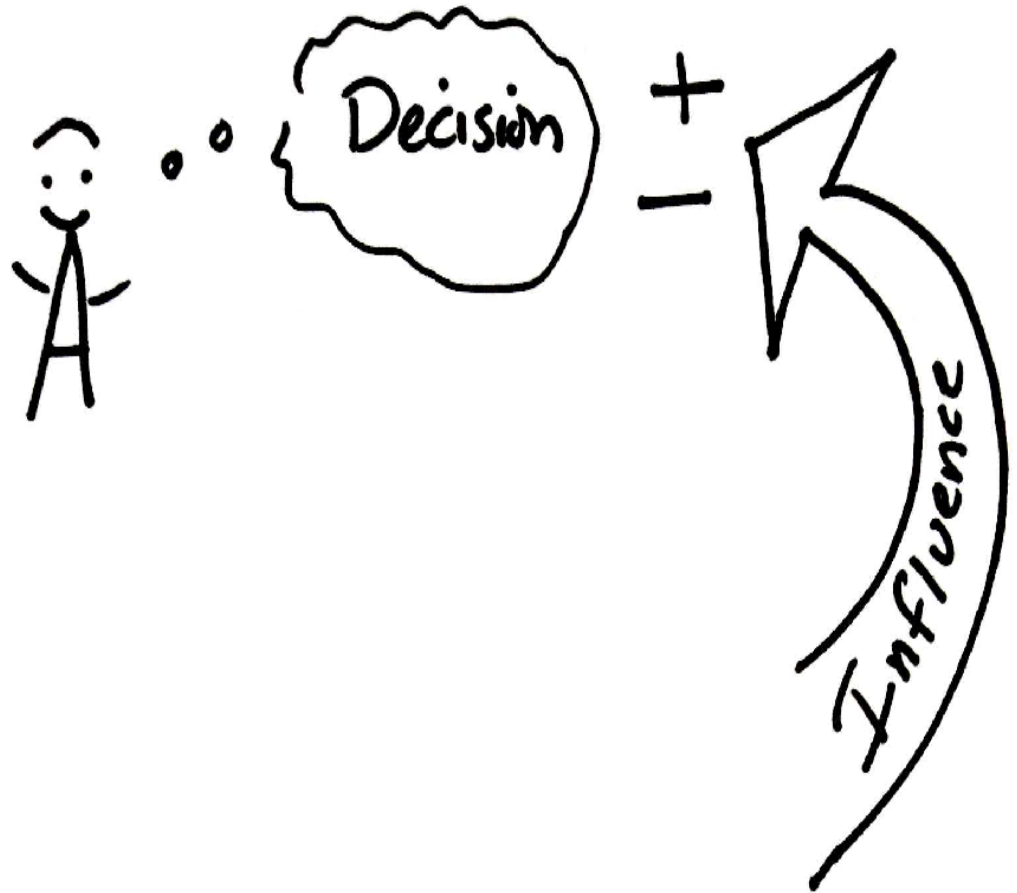
There is disagreement  
in the literature



# Agents Make Decisions for other people...

Agency theory also asks  
what will influence  
whether or not the  
Agent will act in the  
best interest of those  
granting agency?

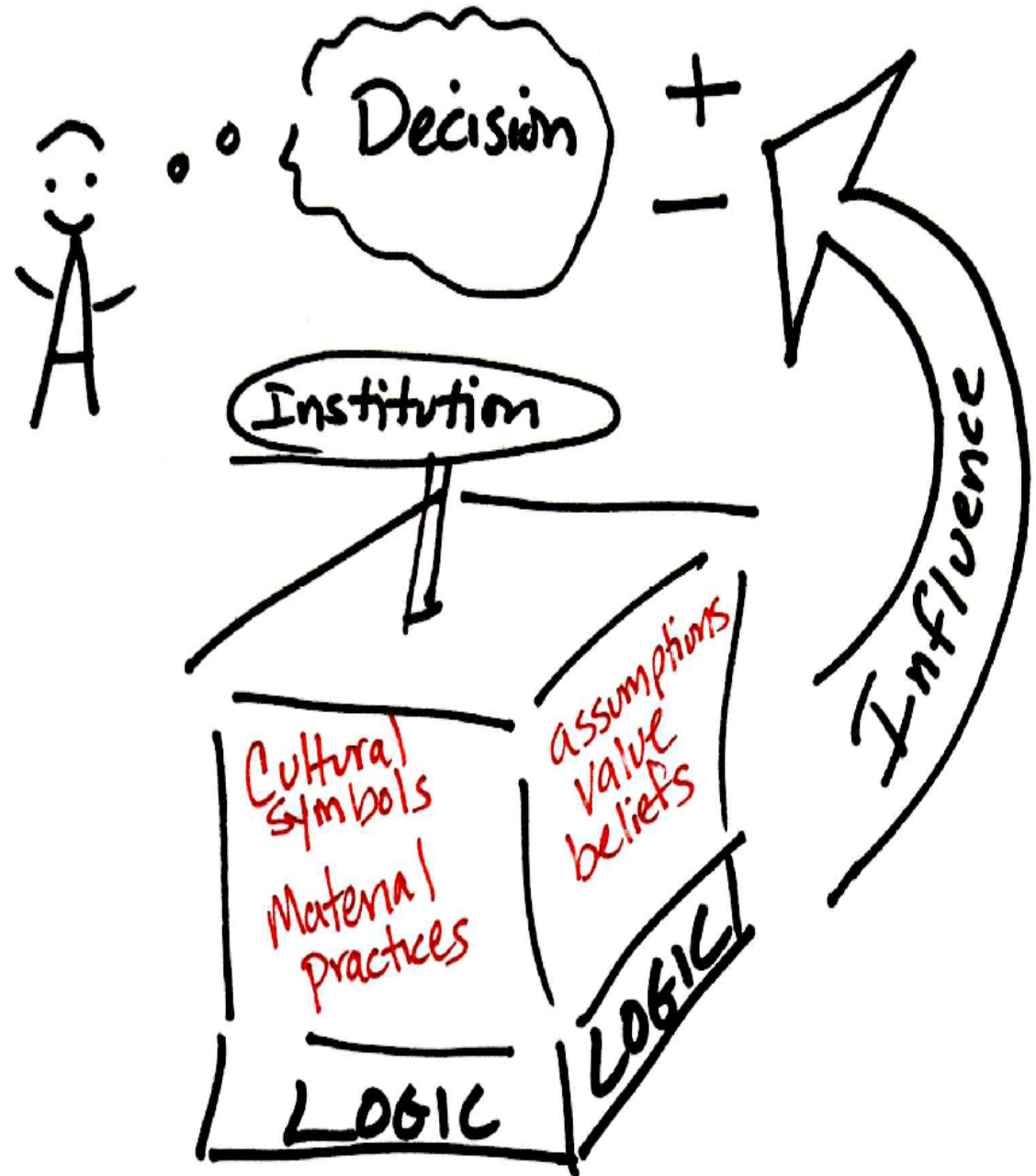
There is disagreement  
in the literature



One possibility is looking through the lens of institutional theory

Specifically...

## Institutional Logics



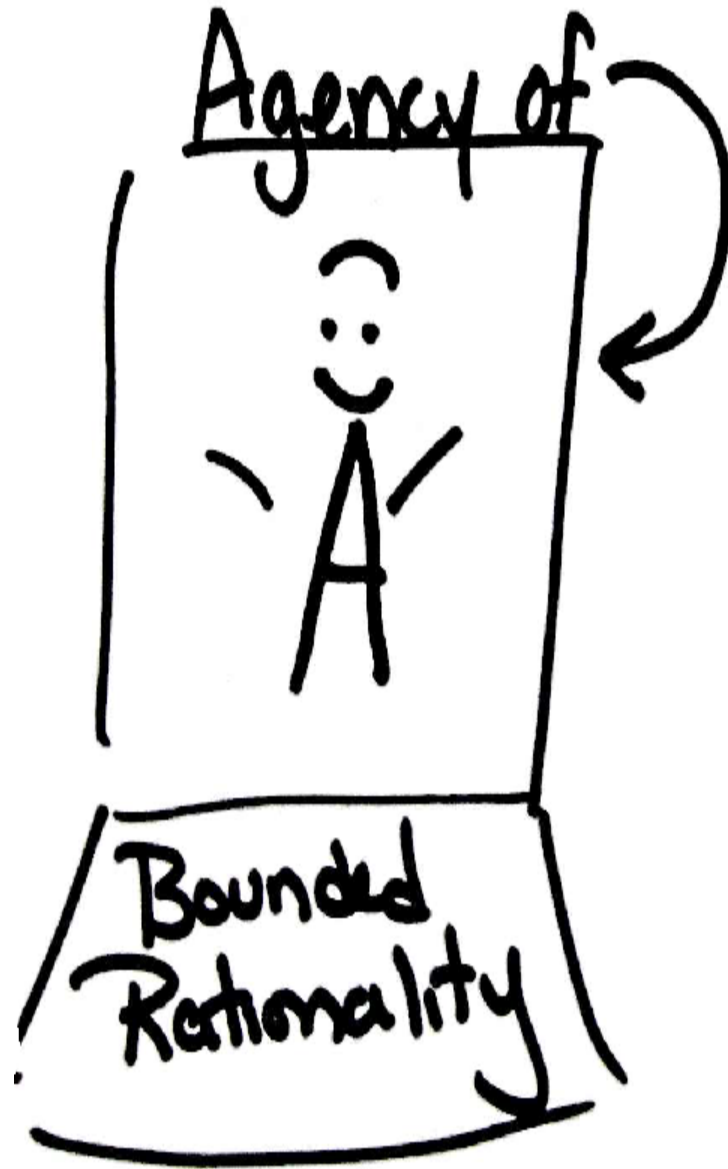
Board Directors  
(Agents) will form  
perceptions of  
expectations...

## The Agency of Agents

*Constrained...Enabled*

Bounded Rationality

Reality



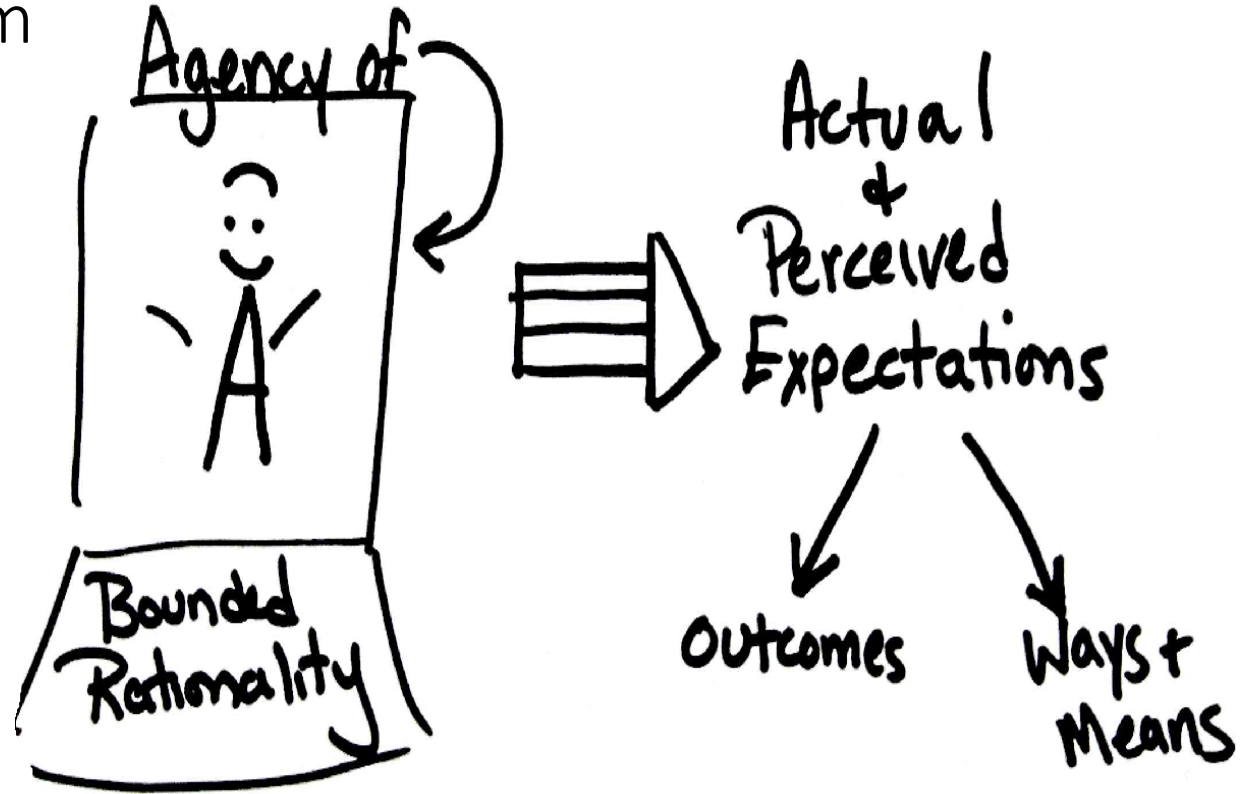
Board Directors  
(Agents) will form  
perceptions of  
expectations...

## The Agency of Agents

*Constrained...*

Bounded  
Rationality

Reality

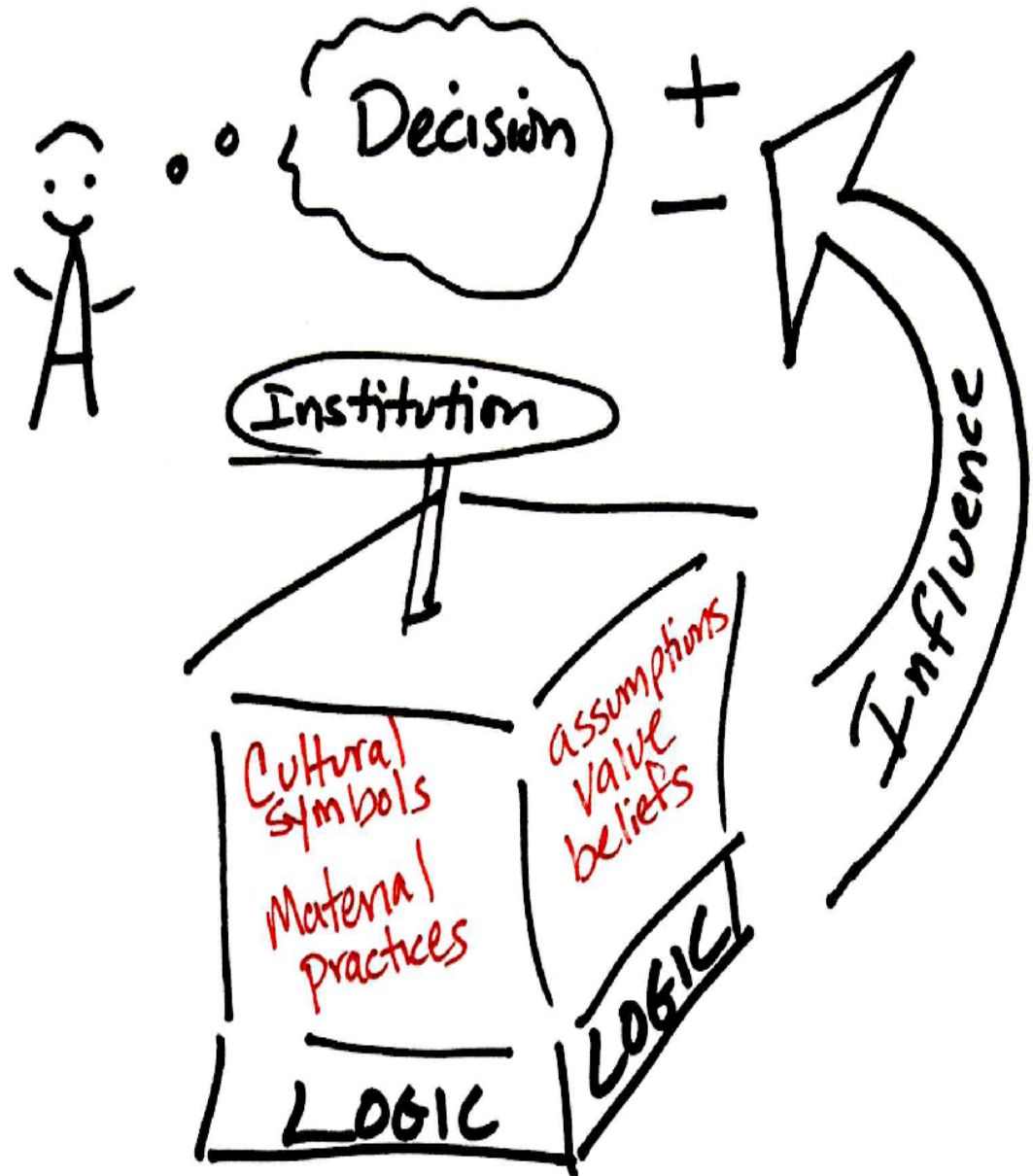


Again, here we  
take a look  
through a  
particular lens

Institutional Logics  
...framing for  
Agency Role

Focus on...  
Expectations of  
Boards

Cooperative vs.  
Corporation



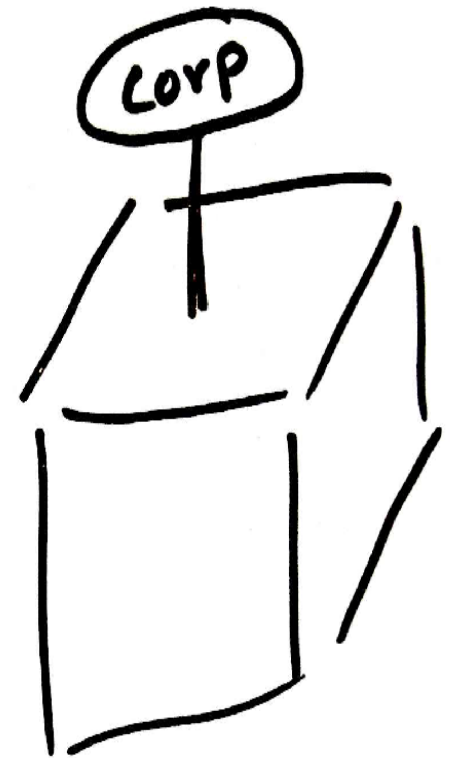
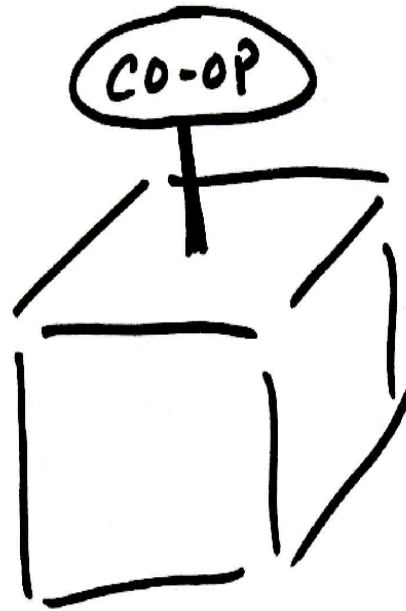
# Cooperatives vs. Corporations

## Similarities:

- Business, profit matters
- Owners invest equity

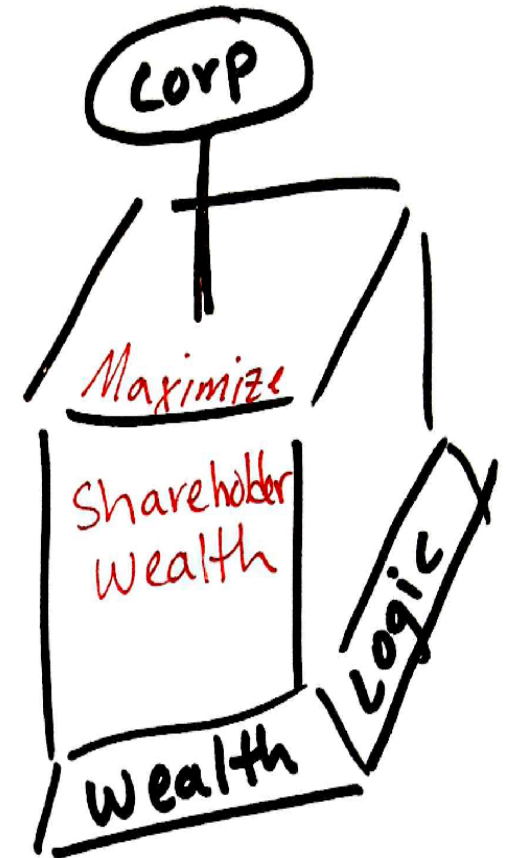
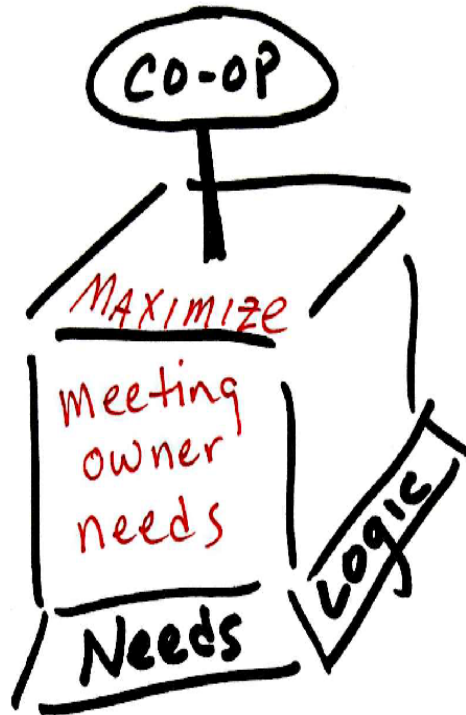
## Differences:

- Share distribution
- Profit distribution
- Maximize Shareholder Wealth vs. Maximize meeting owner needs
- Wealth building vs. needs meeting mechanism



Different  
starting place  
for their logics...

Different  
Foundations





Different  
starting place  
for their logics...

Different  
Foundations  
Co-ops...Unique

Seven Co-operative Principles	Co-operative Values
<ol style="list-style-type: none"><li>1. Voluntary and Open Membership*</li><li>2. Democratic Member Control</li><li>3. Member Economic Participation</li><li>4. Autonomy and Independence</li><li>5. Education, Training and Information</li><li>6. Cooperation among Co-operatives</li><li>7. Concern for Community</li></ol>	<ul style="list-style-type: none"><li>• Self Help</li><li>• Self-responsibility</li><li>• Democracy</li><li>• Equality</li><li>• Equity</li><li>• Solidarity</li><li>• Honesty</li><li>• Openness</li><li>• Social Responsibility</li><li>• Caring for others</li></ul>

\*Membership is synonymous with Ownership in co-operatives

# Expectation 1

*Drawing on  
Governance and Team  
Literature*

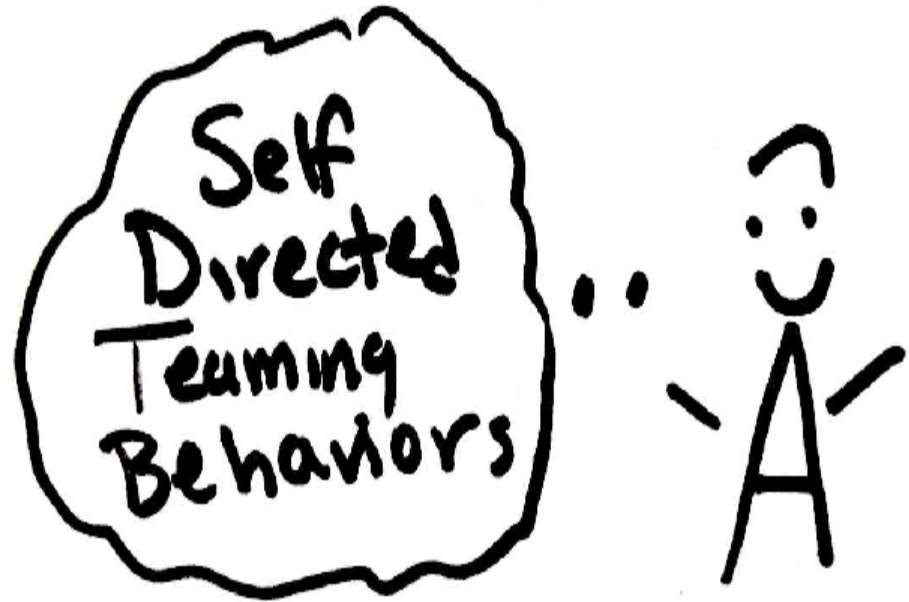
## Internal and External

- Establishing purpose as framed by incorporating documents/bylaws
- Establishing a process for achieving the purpose
- Assigning authority within the team
- Holding itself accountable

*Overlap High*

*Logic for both sets of  
expectations for the above*

*Contrast arises as it plays  
out (**what** is expected but  
not necessarily **HOW**)*



## Expectation 2

*Drawing on  
Governance Literature*

- Choosing Organizational Leadership
- Reward/Disciplining Systems
- Decision Control

*Overlap high between  
Corporations and  
Cooperatives (Again,  
**what**, but perhaps not  
**how**)*

*Institutional logic of being  
a board-governed business*



## Expectation 3

*Drawing on  
Governance Literature*

- Strategic Process  
Initiation
- Strategy Formulation
- Shaping Strategic  
Decisions
- Taking Strategic  
Decisions

*Less overlap between  
Corporations and  
Cooperative  
expectations (both **what**  
and **how**)*

*Institutional logics:  
values scope becomes  
important*



## Expectation 4

Drawing on  
Democracy Literature

- Practice
- Protection
- Promotion
- Perpetuation

*Totally unique  
expectation of  
Cooperative boards*

*Institutional logic  
based on unique  
foundation*



# Four Expectations of Cooperative Governance



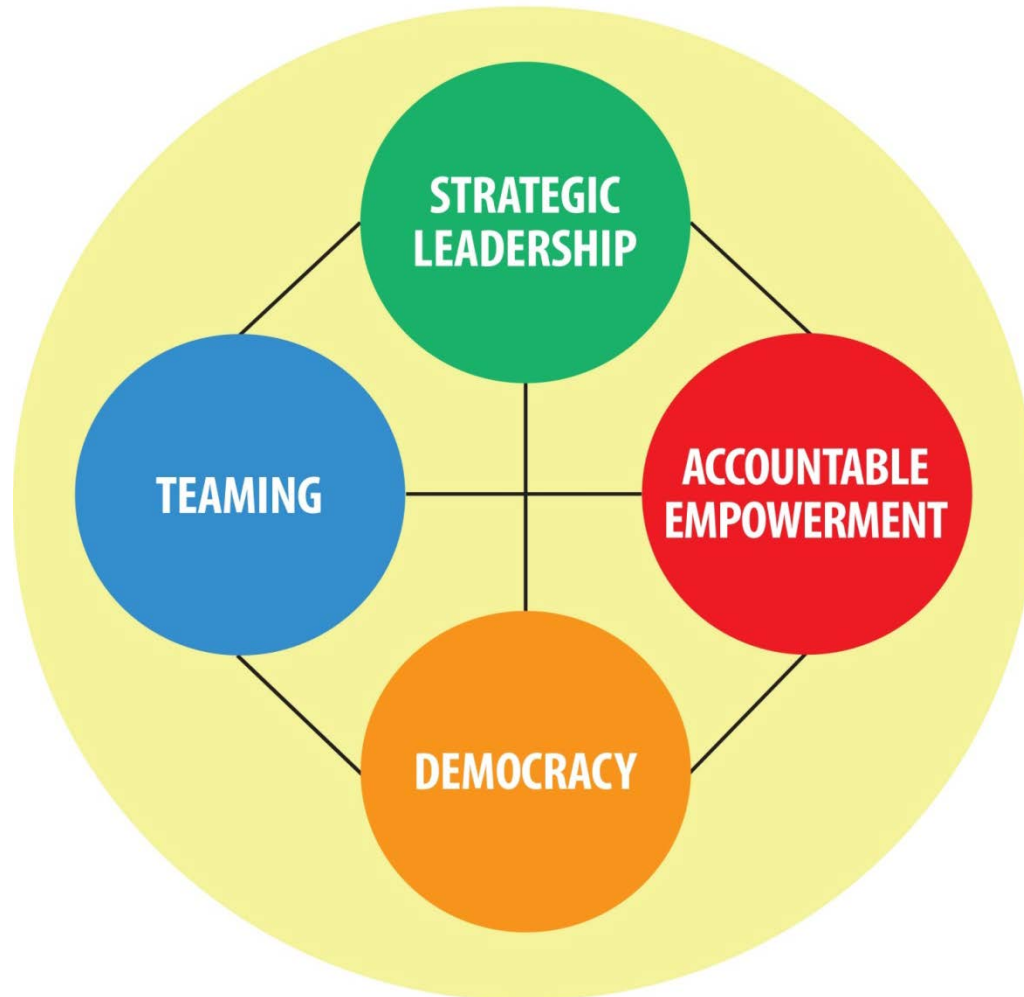
# TRANSLATION



=



# Four Pillars of Cooperative Governance



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

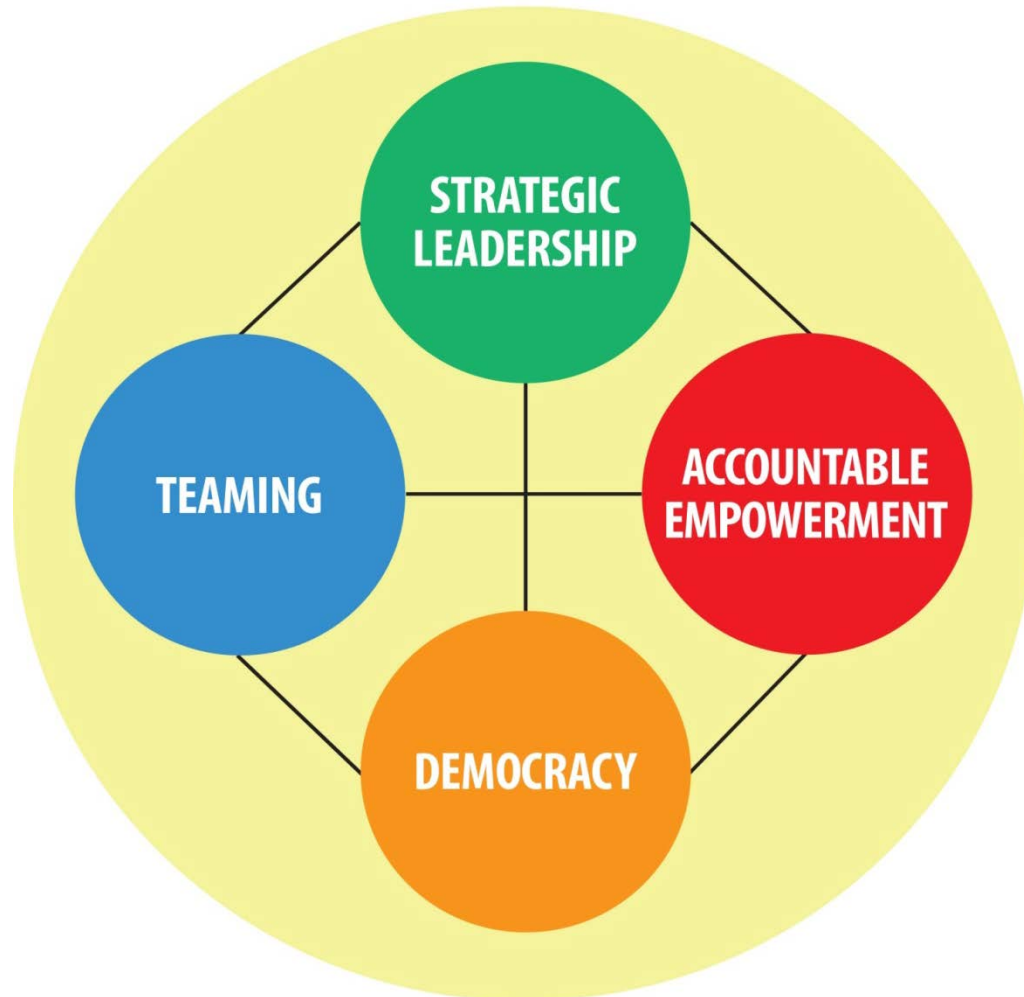


# Neighbor Talk

- What did you hear?
  - What did your neighbor hear?
  - What questions do you have?
- Please take a few minutes to talk with your neighbor and jot some notes on the worksheets.



# Four Pillars of Cooperative Governance



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

# Governance

 The act of governing

 Relates to decisions that

- Define expectations
- Grant power
- Verify performance

 From Greek “to steer”



# Cooperative

- ❶ An autonomous association of persons
- ❷ United voluntarily
- ❸ To meet their common economic, social and cultural needs
- ❹ Through a jointly owned and democratically-controlled enterprise.



# Cooperative Governance

- ❏ Steering cooperatively-owned enterprises toward economic, social, and cultural success
- ❏ Answering key questions
- ❏ Define roles and responsibilities
- ❏ Establishing processes for setting expectations and ensuring accountability

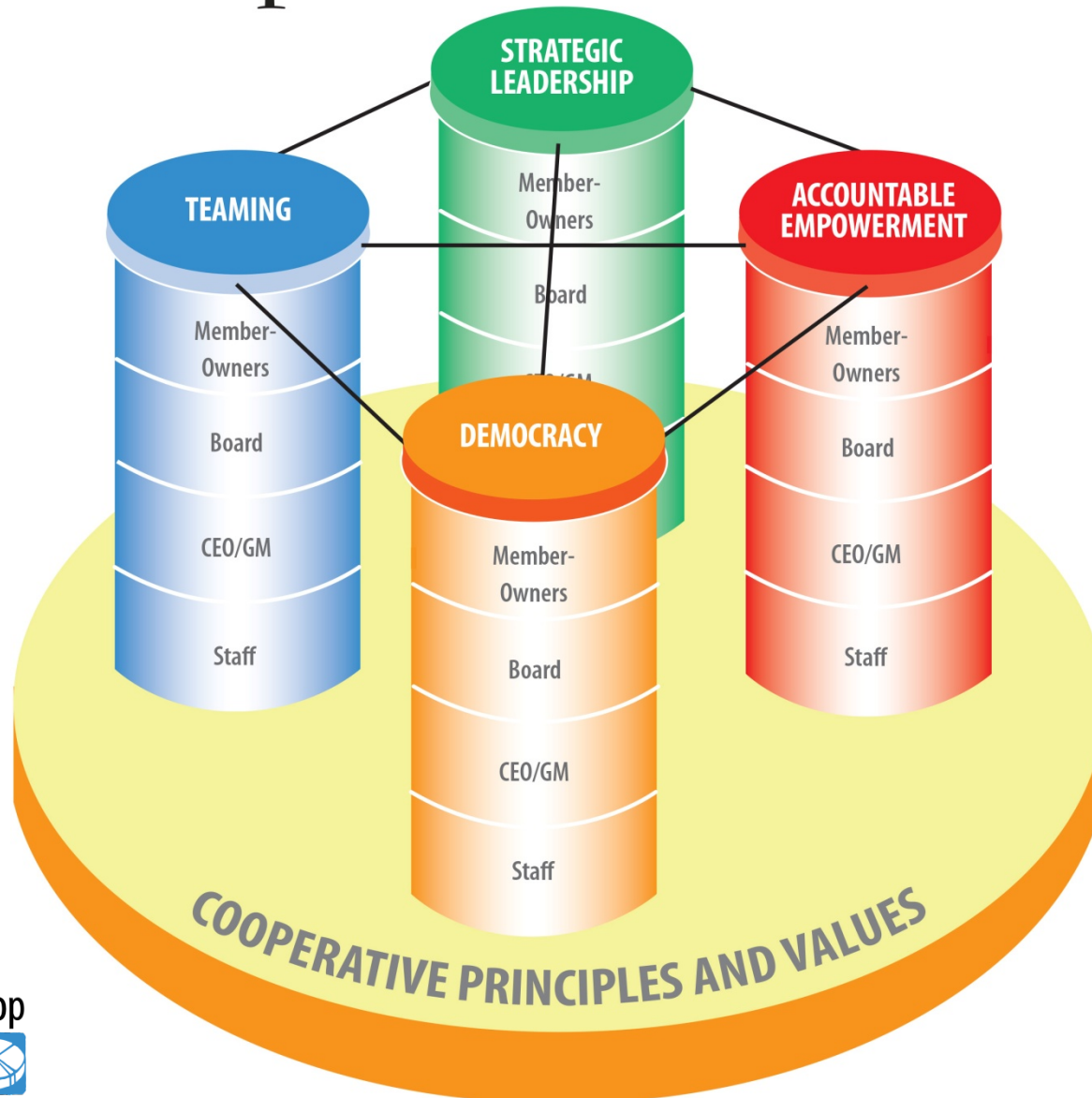


CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

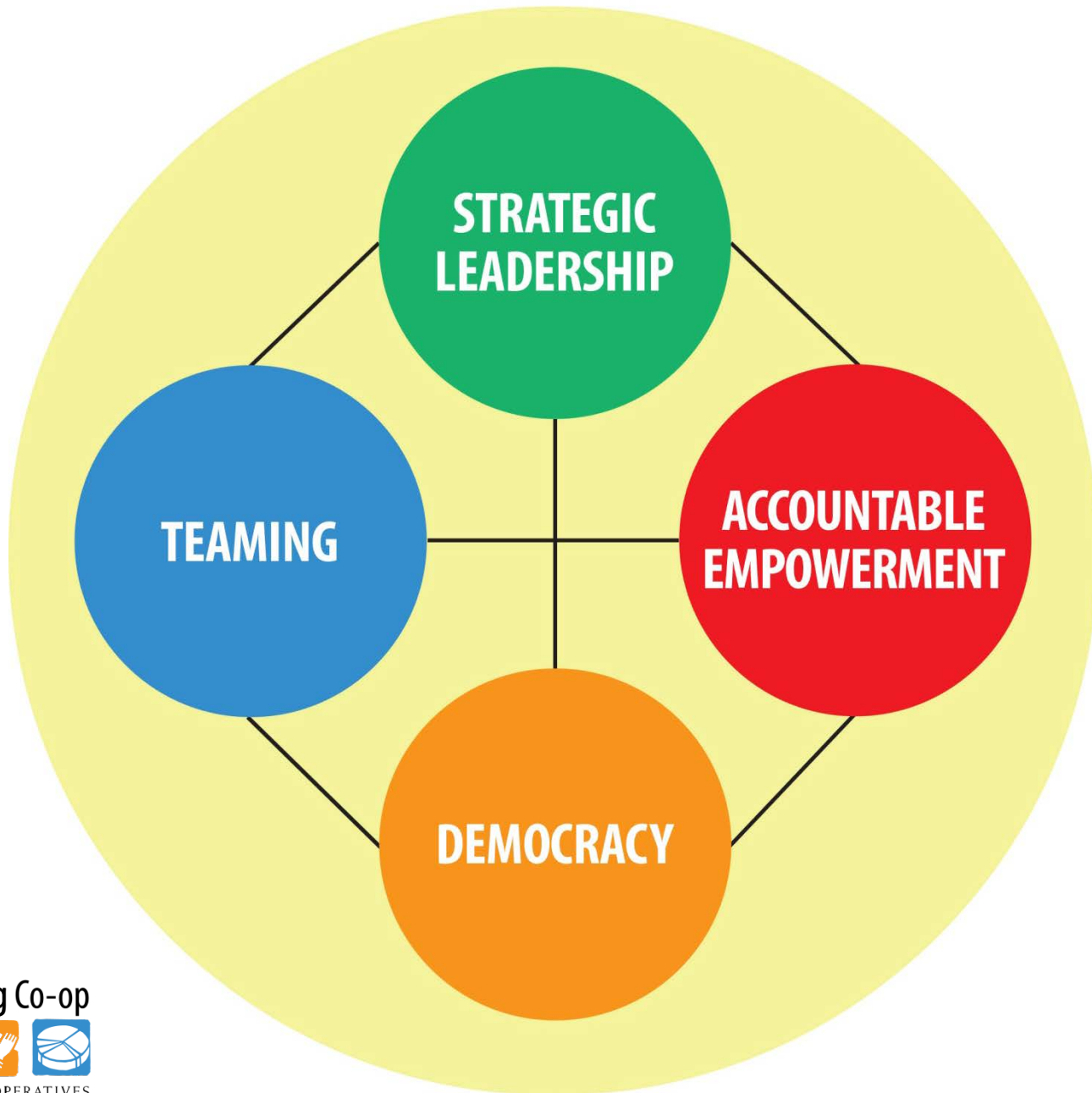
# Four Pillars of Cooperative Governance



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

# Four Pillars of Cooperative Governance

## Board Role

	Teaming	Accountable Empowerment	Democracy	Strategic Leadership
Responsibilities				
Process				
Skills/Knowledge				
Tools/Resources				



# Teaming



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

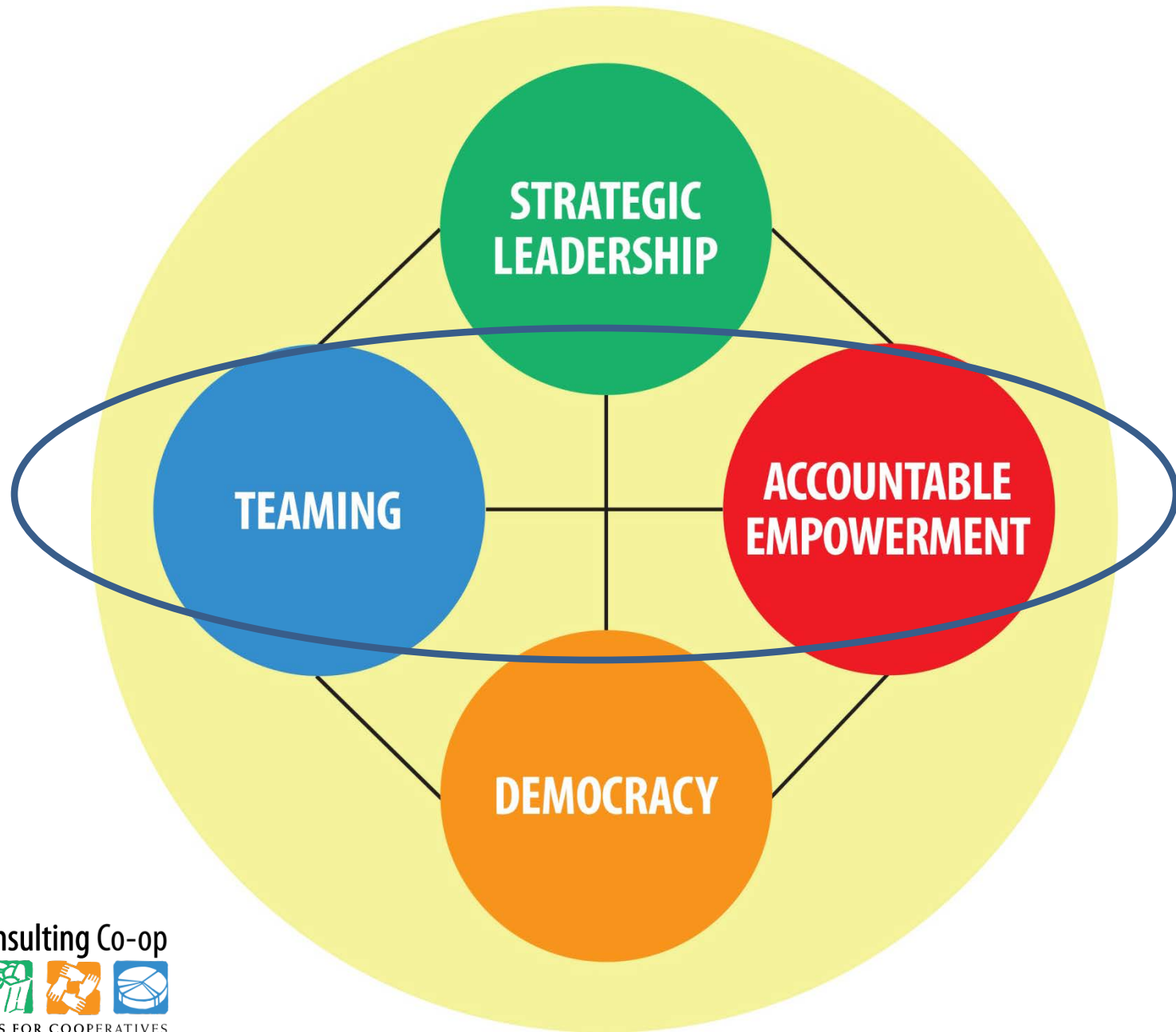
# Accountable Empowerment



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

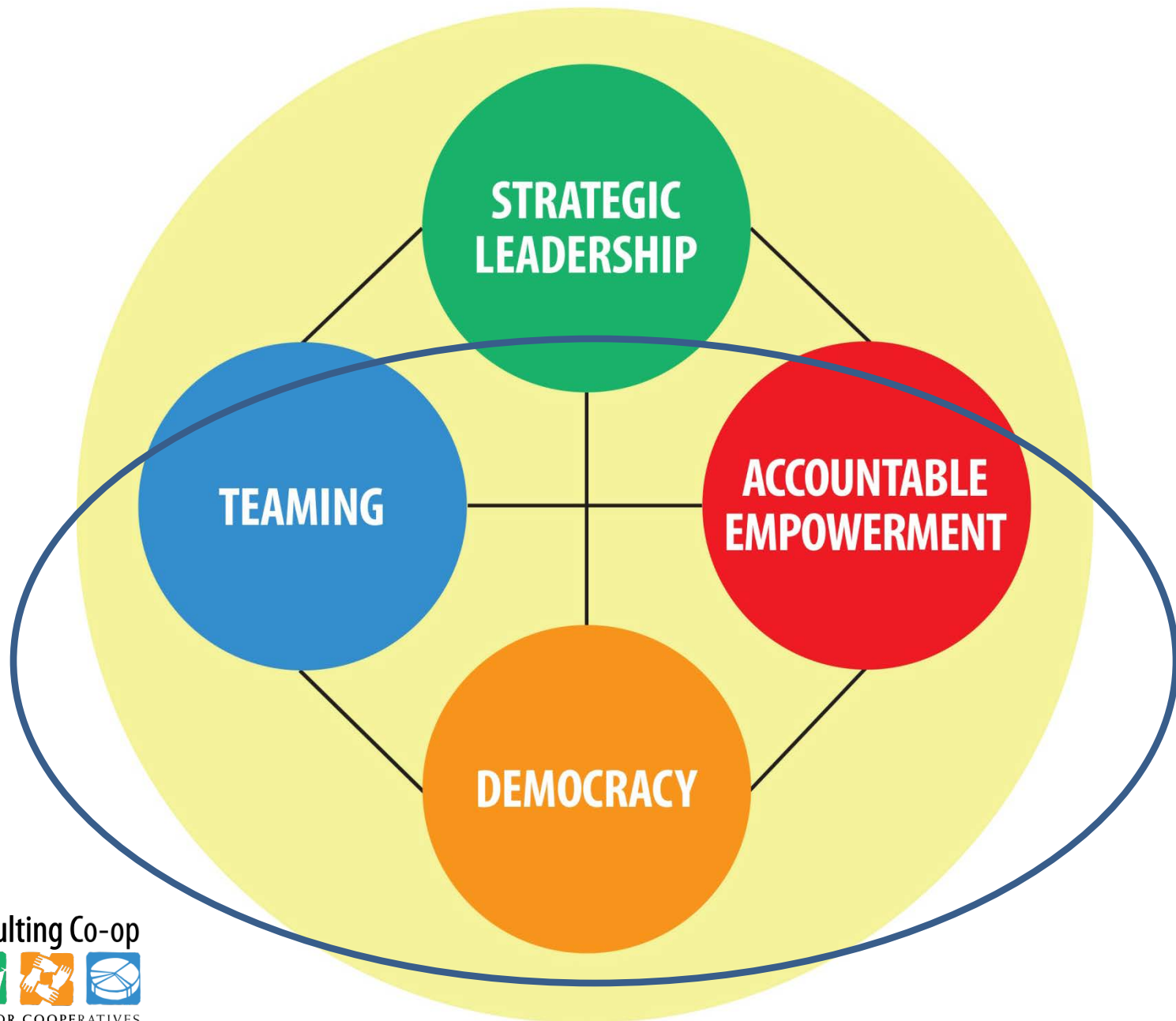
# Democracy



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

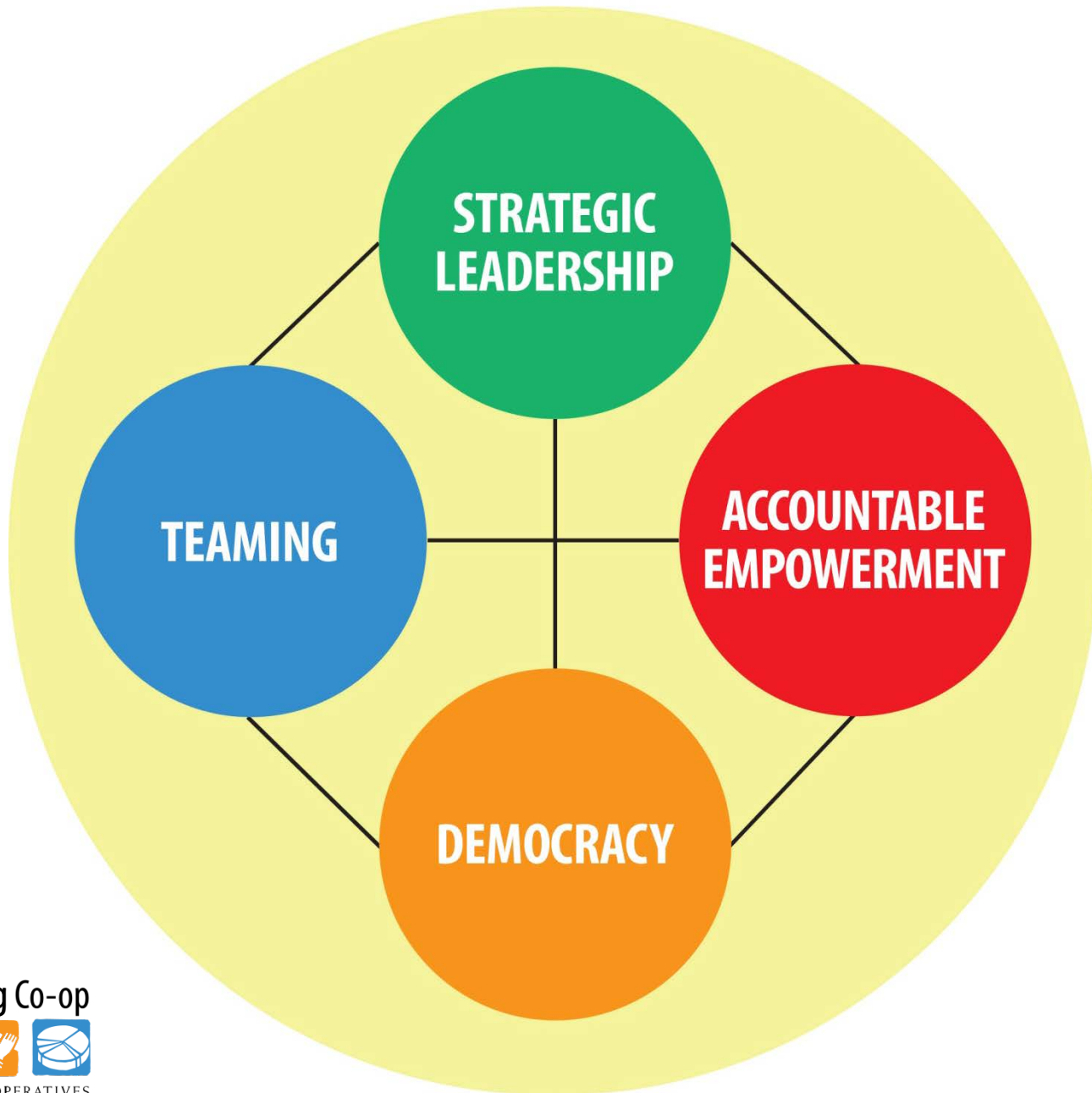
# Strategic Leadership



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

# Four Pillars of Cooperative Governance

## Board Role

	Teaming	Accountable Empowerment	Democracy	Strategic Leadership
Responsibilities				
Process				
Skills/Knowledge				
Tools/Resources				



# Four Pillars of Cooperative Governance

## Board Role

	Teaming	Accountable Empowerment	Democracy	Strategic Leadership
Responsibilities	Perpetuate Board excellence			
Process	Recruit, etc. Orientation & training			
Skills/Knowledge	Communication Problem solving Honesty and integrity			
Tools/Resources	Code of conduct Self-evaluation			

# Four Pillars of Cooperative Governance

## Board Role

	Teaming	Accountable Empowerment	Democracy	Strategic Leadership
Responsibilities		Be Vigilant Hire (etc) CEO/GM		
Process		Set expectations Delegation Monitoring		
Skills/Knowledge		Delegate power Assess risk Financial understanding		
Tools/Resources		Policy template Sample reports		

# Four Pillars of Cooperative Governance

## Board Role

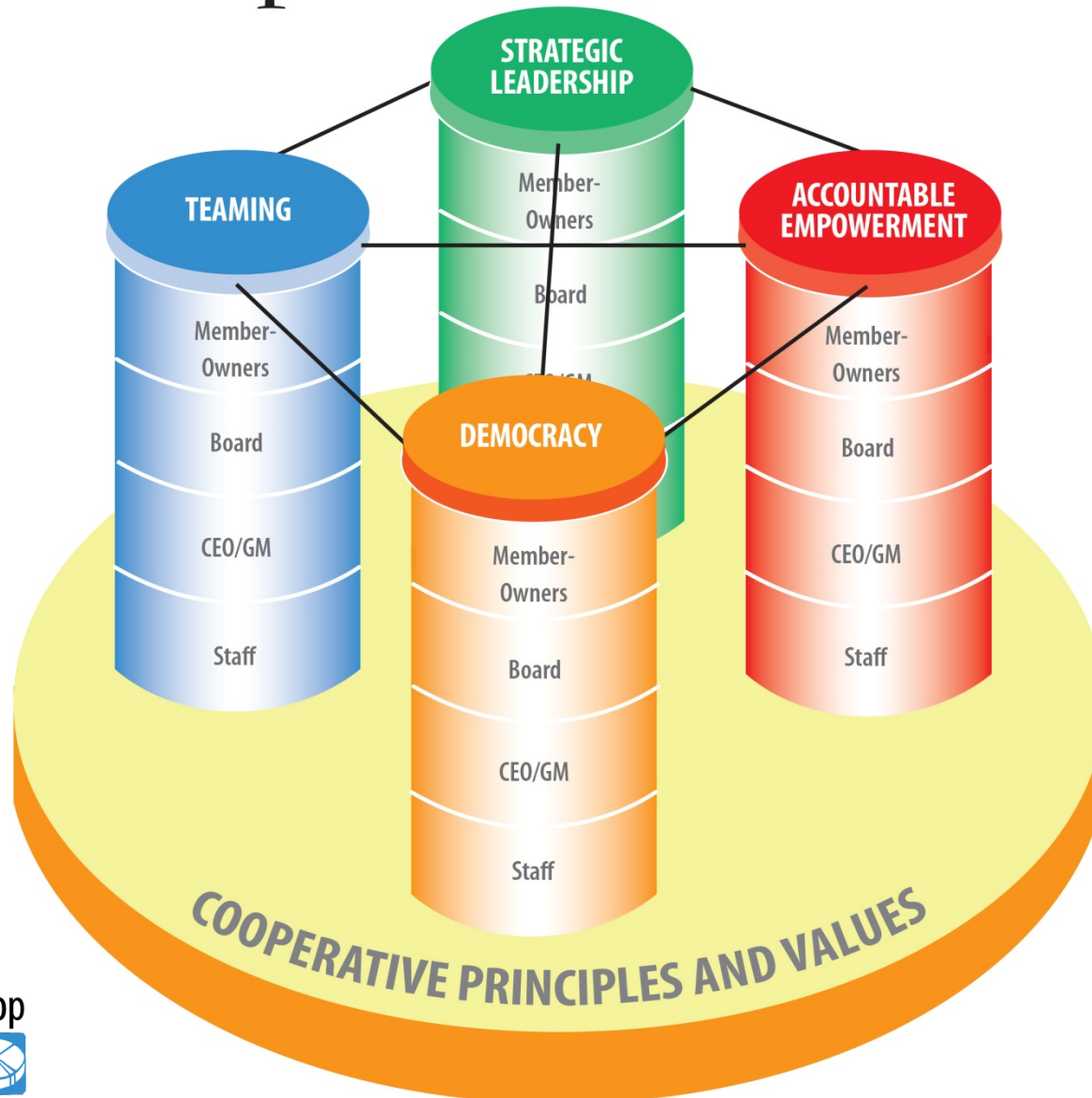
	Teaming	Accountable Empowerment	Democracy	Strategic Leadership
Responsibilities			Facilitate participation	
Process			Annual meeting Build alignment	
Skills/Knowledge			Communication Courage	
Tools/Resources			Annual report Social media	

# Four Pillars of Cooperative Governance

## Board Role

	Teaming	Accountable Empowerment	Democracy	Strategic Leadership
<b>Responsibilities</b>				Set direction Facilitate movement
<b>Process</b>				Purpose Build wisdom
<b>Skills/Knowledge</b>				Listening Suspending judgment
<b>Tools/Resources</b>				SWOT Safe conversations

# Four Pillars of Cooperative Governance



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

# Neighbor Talk

- What did you hear?
  - What did your neighbor hear?
  - What questions do you have?
- Please take a few minutes to talk with your neighbor and jot some notes on the worksheets.



INTERNATIONAL CO-OPERATIVE ALLIANCE

# BLUEPRINT FOR A CO-OPERATIVE DECADE

JANUARY 2013



CDS Consulting Co-op






SOLUTIONS FOR COOPERATIVES

[www.cdsconsulting.coop](http://www.cdsconsulting.coop)



# ICA blueprint: three big goals

-  The acknowledged leader in economic, social and environmental sustainability
-  The model preferred by people
-  The fastest growing form of enterprise



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

[www.cdsconsulting.coop](http://www.cdsconsulting.coop)



# ICA blueprint: five key themes



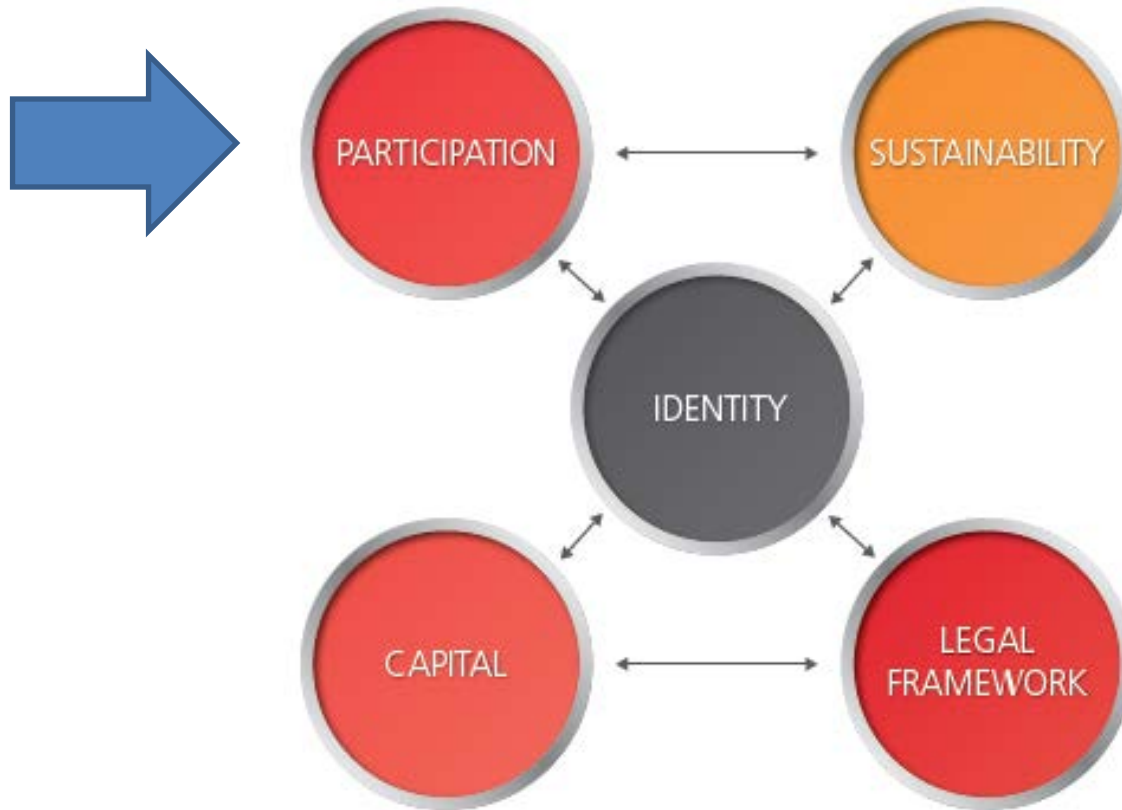
CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

[www.cdsconsulting.coop](http://www.cdsconsulting.coop)

# ICA blueprint: five key themes



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

[www.cdsconsulting.coop](http://www.cdsconsulting.coop)

# Four Pillars of Cooperative Governance

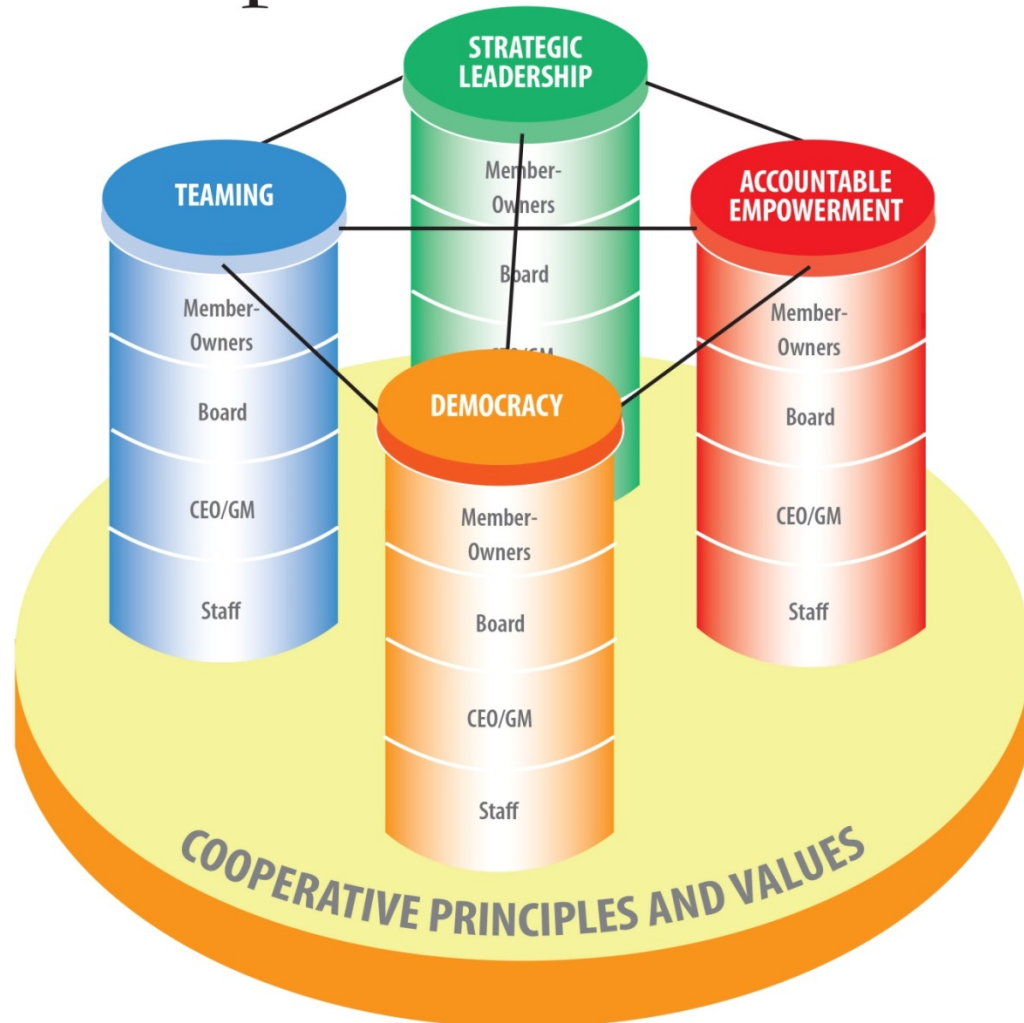


CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

# Four Pillars of Cooperative Governance



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

# ICA Goal: Participation

The aim is to elevate participation within membership and governance...

... and to do this by focusing on the practical aspects of participation.



CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

[www.cdsconsulting.coop](http://www.cdsconsulting.coop)

# PARTICIPATION: OWN USE SERVE YOUR CO-OP

CDS Consulting Co-op

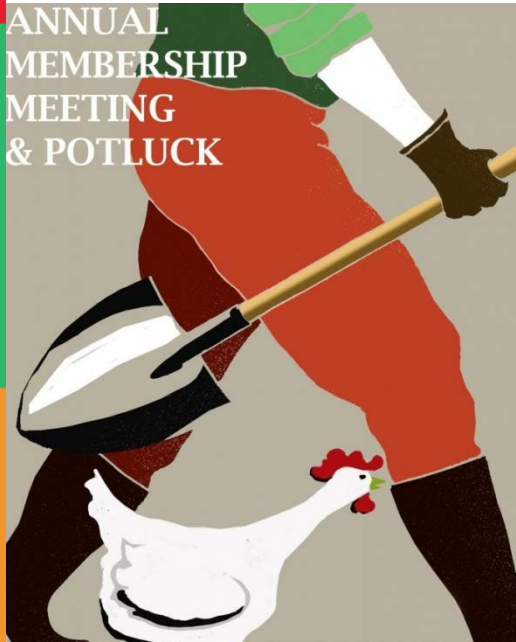


SOLUTIONS FOR COOPERATIVES

# OWN



ANNUAL  
MEMBERSHIP  
MEETING  
& POTLUCK



THE THIRD CO-OP PRINCIPAL PROUDLY PRESENTS -  
THE BAND WITH THE SWAINSON SOUND  
THAT'S SWEEPING THE NATION

**MEMBER  
ECONOMIC  
PARTICIPATION**

Figure 1—Cooperative business life-cycle

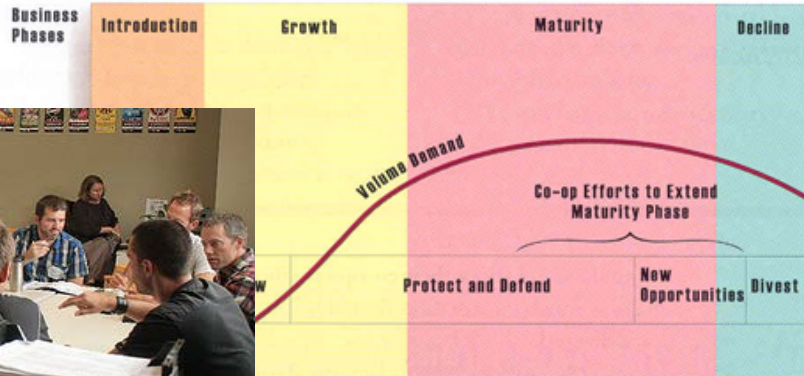


Photo by Marisa Aragona



**PARTICIPATION:  
OWN, USE  
SERVE  
YOUR CO-OP**

# OWN

 **Who: Member–Owners, Board, CEO/GM**

 **Purpose, impact, outcomes**

 **Industry and marketplace trends**

 **Capital**

 **Representation**

 ***Relatively low frequency***

CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

[www.cdsconsulting.coop](http://www.cdsconsulting.coop)

**PARTICIPATION:  
OWN, USE  
SERVE  
YOUR CO-OP**



# USE



**PARTICIPATION:  
OWN, USE  
SERVE  
YOUR CO-OP**

# USE

- 🌀 **Who: ALL** (Member–Owners, Board, CEO/ GM, Staff, plus customers, suppliers, \_\_\_\_\_)
- 🌀 **Use systems designed by the co-op**
- 🌀 **Move the co-op forward on its goals**
- 🌀 **Connect actions and goals**
- 🌀 **Provide feedback – make using the co-op meaningful**
  
- 🌀 ***High frequency***

CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

[www.cdsconsulting.coop](http://www.cdsconsulting.coop)

PARTICIPATION:  
**OWN, USE  
SERVE  
YOUR CO-OP**

# SERVE



# SERVE

- 🌀 **Who: ALL** (based on self-interest and the needs of the co-op)
  - 🌀 **As owners and users participate, they are serving the co-op** (“our benefit”)
  - 🌀 **Serve the needs of the co-op itself**
  - 🌀 **Promote and support the co-op**
- 🌀 *Low, moderate and high frequency*

**PARTICIPATION:**  
**OWN USE**  
**SERVE**  
**YOUR CO-OP**

CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

**Thank you!**

# What's next?

- 🌀 **Share our work, gather input**
- 🌀 **Check for relevance**
- 🌀 **Spread the story**
- 🌀 **Gather examples**
- 🌀 **Develop the Practical Guide to Participation**
- 🌀 **Provide systematic support**

CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

[www.cdsconsulting.coop](http://www.cdsconsulting.coop)






**PARTICIPATION:  
OWN, USE  
SERVE  
YOUR CO-OP**

# Neighbor Talk

- 🌀 What did you hear?
- 🌀 What did your neighbor hear?
- 🌀 What questions do you have?
  
- 🌀 Please take a few minutes to talk with your neighbor and jot some notes on the worksheets.



# Time for Q&A

-  Feedback welcome - check those worksheets!
-  Comments and Observations
-  Questions
-  Suggestions
-  References and resources



**THANK  
YOU!**

CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES